

VZCZCXYZ0003
RR RUEHWEB

DE RUEHAR #1089/01 2890726
ZNR UUUUU ZZH
R 160726Z OCT 09 ZDK
FM AMEMBASSY ACCRA
TO SECSTATE WASHDC 8372

UNCLAS ACCRA 001089

SIPDIS

STATE FOR AF/EPS MALLORY AND BREITER; STATE PASS TO USTR CONSTANCE HAMILTON; STATE PASS TO TREASURY ANTHONY IERONIMO; STATE PASS TO DOC KEVIN BOYD

E.O. 12958:N/A

TAGS: [ECON](#) [ETRD](#) [GH](#)

SUBJECT: Ghana: Input for AGOA Eligibility Review

REF: A) STATE 97769

Country Background Summary

¶11. Ghana is a country of 23 million people with a constitutional democracy dominated by a strong presidency. Opposition candidate John Atta Mills was elected president after a narrowly won victory in December 2009. Mills followed John Kufuor, who served the constitutional limit of two four-year terms.

¶12. From Ghana Statistical Service official data, 2008 GDP is estimated to be USD 16.7 billion. Facing serious fiscal challenges, the Government of Ghana (GOG) is now pursuing austerity policies to correct serious economic imbalances in both Ghana's budget and balance of trade. Despite the economic challenges it faces, Ghana's real GDP growth has exceeded 5 percent annually starting in 2003; and rose to an estimated 7.3 percent in 2008.

¶13. Ghana's growth has been accompanied by a significant decrease in poverty. In 1991, 51.7 percent of Ghana's population lived in poverty; for 2005/2006, the figure is 28.5 percent. Ghana has been on track to be the first sub-Saharan African country to reach the Millennium Development Goal (MDG) of reducing the percentage of people living in poverty by 50 percent, but at the 2009 UNGA President Mills stated that due to the economic downturn the MDGs were currently "unattainable in any meaningful way."

¶14. Ghana reached HIPC Completion Point in July 2004 and is a beneficiary of the Multilateral Debt Relief Initiative (MDRI). Total debt relief under HIPC and MDRI is expected to total more than USD 238 million for 2008.

¶15. Overall U.S. trade with Ghana increased in 2008 compared to 2007. U.S. exports to Ghana in 2008 were USD 594 million and imports were USD 222 million. Imports under AGOA (including GSP), however, decreased to USD 42 million from USD 69 million in 2007. The first half of 2009 shows a decrease, reflecting reduced demand as a function of the global economic slowdown. Total trade decreased about USD 95 million (from about USD 432 million to about USD 338 million) compared to the same period in 2008 and imports under AGOA plus GSP slumped to USD 6.1 million from USD 37.3 million.

Comments on Eligibility Requirements

Market-based Economy

¶16. Major Strengths Identified

-- Ghana has a market-based economy with fewer policy barriers to trade and investment compared to other countries in the region.
-- The GOG has on the whole strengthened economic policies considerably over the past 10 years. Ghana is fundamentally

committed to free enterprise and seeks to attract foreign investment. According to Bank of Ghana balance of payments data, Ghana attracted about USD 2.1 billion in foreign investment in 2008, compared to USD 855 million in 2007.

-- Stable cocoa and rising gold prices helped sustain Ghana's economy through 2008 and 2009.

-- Although the new government reduced some subsidies for petroleum products in 2009, overall subsidies in the energy sector (for both power and petroleum products) remain unsustainable given Ghana's ongoing fiscal crisis.

-- According to the September 2009 Bank of Ghana Monetary Policy Committee Report, private remittances (transfers from NGOs, religious groups, and individuals) increased modestly by 3 percent to USD 5.8 billion between January and August 2008 compared to the same period in 2007. Of the total, about 17 percent, or USD 1 billion accrued to individuals.

-- In April 2009 rating agencies Standard & Poor's and Fitch cut their outlook on Ghana's B plus sovereign debt rating from stable to negative. They both cited a mixture of external shocks and the prior government's loose fiscal discipline. The ratings serve as useful benchmarks to measure economic progress in Ghana.

-- The IMF projects that the recent oil discovery is expected to generate additional fiscal revenue of about 3 - 4 percent of GDP annually for the next 20 to 30 year period. This will generate approximately USD 1 billion in additional direct revenue to the Government of Ghana.

17. Major Economic Issues/Problems Identified

-- The GOG faces challenges in continuing structural reforms and translating macro stability into widely shared prosperity.

-- Labor productivity is low; most jobs generated over the last 15 years are characterized by low pay and low productivity.

-- Although the Ghanaian economy already exhibits 'Dutch Disease' indicators, the political-economic challenges of increased future oil revenues has yet to be fully addressed by the GOG. Although Ghana has signed up to extend the Extractive Industries Transparency Initiative to the oil and gas sector, it has not yet publicly stated its plans for using or investing future oil revenues.

-- To further mitigate the likely appreciation of the cedi, further investment is needed in the agricultural sector to improve productivity and to enhance domestic competitiveness in food production.

-- The fiscal deficit increased to more than 14.5 percent of GDP in 2008 in part due to above-budget spending on the public sector wage bill, politically-motivated new construction projects, and higher costs of sustaining energy subsidies.

-- Notwithstanding its status as a monopoly state-owned oil refinery, the Tema Oil Refinery (TOR) was unable to produce in the first half of 2009 due to both technical and financial constraints. TOR's large debt (approximately GHC 1 billion) must be recapitalized in order to ensure its ability to finance crude imports on a recurring basis.

-- Domestic credit constraints and subsidies to public utilities continue to cause fiscal problems and underinvestment in the assets and operations of state-owned utility companies.

-- U.S. firms have expressed concerns regarding the lack of transparency in government procurement, although there have been no formal complaints to the GOG. The concerns are mainly related to: 1) undefined timeframes for rendering decisions; 2) unclear bidding requirements; and 3) allegations of favoritism.

-- The business and investment climate, while improving at a good rate, remains challenging.

-- Land tenure issues compound investment challenges.

-- Ghana's infrastructure is inadequate to support more rapid development and the needs of the private sector. Energy and water are often in short supply and major roads are poorly maintained and congested. Failure to address infrastructure needs sustainably will undermine Ghana's growth prospects and attractiveness to investors.

Political Reforms/Rule of Law/Anti-Corruption

18. Major Strengths Identified

-- The Mills Administration has pledged a commitment to ensuring the rule of law. Ghana has in place important anti-corruption

legislation, including public procurement, audit, financial, and whistleblower laws.

-- Presidential and parliamentary elections in 2008 were peaceful, free, and transparent. Democracy continues to be vibrant, with the two major parties vigorously contesting each other, and with a lively, free media and civil society. Each of the two main parties has won an election and lost an election then stepped down peacefully.

19. Major Issues/Problems Identified

-- Vigilante justice remains an issue, due in part to delays in prosecuting suspects, rumors of police collaboration with criminals, and a widespread perception of police ineptitude.

-- Court delays persist, even in the "Fast Track" automated courts.

-- The integrity of the judicial system is compromised by corruption and a severe lack of financial, human, and material resources.

-- Corruption is pervasive among all branches of government. Police set up barriers to extort money from motorists, and judicial officials accept bribes in exchange for expedited or postponed cases or for losing records.

-- Prison conditions continue to be harsh and life-threatening.

-- Anti-corruption institutions are weak. Significant oil and gas discoveries have the potential to exacerbate institutional corruption.

-- Parliament is weak; it does not have independent authority to initiate legislation having a financial aspect, is heavily influenced by the executive branch, and has not exercised effective oversight over the executive.

Poverty Reduction

110. Major Strengths Identified

-- Ghana's poverty reduction strategy is set out in its Growth and Poverty Reduction Strategy (GPRS) II, 2006-2009, which builds on GPRS I. The central objective of GPRS II is to increase growth to 8 percent annually in order to accelerate the pace of poverty reduction and progress toward achievement of other MDGs, and reach middle income status by 2015.

-- Coordination with and among donors in support of poverty reduction is relatively strong, helping to minimize duplication and inefficiencies.

-- Poverty declined, from about 42 percent in 1997 to 28.5 percent in 2005/2006.

-- Debt relief under HIPC and the MDRI will make about USD 1.3 billion available during the GPRS II period (2006-2009) primarily for support of goals under GPRS II.

111. Major Issues/Problems Identified

-- Ghana continues to have significant levels of poverty, particularly in certain regions where rural poverty tops 90 percent, and income inequality is increasing.

-- The government's actual commitments do not always back up the rhetoric. For example, education and health spending as a percentage of GDP is flat and donors pick up about 90 percent of the water and sanitation development budget which includes infrastructure, training and capacity building.

-- Ghana's attempt to take full advantage of the apparel benefit under AGOA faces serious difficulties. Major apparel factories have not exported significantly to the U.S. since 2008. Apparel exports decreased to USD 0.8 million in 2008 from USD 7.5 million in 2007. Exports at the end of June 2009 was USD 0.2 million compared with USD 0.7 million in the same period in 2008.

Workers' Rights/Child Labor/Human Rights

112. Major Strengths Identified

-- Labor unions have legal protections in Ghana and operate in both the public and private sectors.

-- Ghana is a signatory to ILO Convention 182 on the worst forms of child labor.

-- The GOG has increased its efforts to fight trafficking in persons through cooperation with NGOs and international organizations to identify and return internally trafficked children. The law prohibits all forms of trafficking in persons and provides for a minimum prison sentence of five years for convicted traffickers. The GOG successfully prosecuted a major trafficking case this year that resulted in extensive prison sentences for the three people convicted. In addition, Parliament passed a bill to amend the 2005 definition of trafficking to include the phrase "for the purpose of exploitation". -- Ghana is working closely with the U.S. and other donor countries to assess the extent of cross-border trafficking.

-- In spite of some problems on its human rights record, the GOG continues efforts to improve its human rights practices.

-- The GOG continues support of the Domestic Violence Victim Support Unit (DOVVSU) to aid women and children who have been victims of domestic violence,. But unless specifically called upon by DOVVSU, police seldom intervene in cases of domestic violence, in part due to a lack of counseling skills, shelter, and other resources to assist victims.

¶13. Major Issues/Problems Identified

-- While the law allows workers, except for the armed forces, police, prison service, and some other security and intelligence agency personnel, to form and join unions, only unions that represented the majority of workers in a given company can obtain a Collective Bargaining Certificate, which is required to engage in collective bargaining.

-- While there was an increase in the minimum wage, it did not provide a decent standard of living for a worker and family.

Violation of the minimum wage law is widespread.

Forced and bonded child labor is a problem and is found in the agricultural and fishing industries, domestic work, and quarries.

-- Women and children continued to be trafficked for forced labor especially in the informal sector. In some cases the situation can lead to the sexual exploitation of women (who are trafficked for forced labor).

-- Violence against women and children continues to be a problem. Domestic abuse was rarely prosecuted and the cases were often on trial for three years or more.

FGM is practiced, particularly in the northern regions of the country.

-- Societal discrimination against women, persons with disabilities, homosexuals, and persons with HIV/AIDS occurred throughout the country, particularly in rural areas.

-- The law prohibits female genital mutilation (FGM), but it remains a serious problem in the northern regions of the country.

International Terrorism/U.S. National Security

¶14. Major Strengths Identified

-- The GOG has been explicit in its support for the fight against terrorism. It has ratified or acceded to all international anti-terrorism conventions.

¶15. Major Issues/Problems Identified

-- Narcotics trafficking and financial crime are serious and growing problems. Ghana is a transit point for drugs from South America en route to the U.S. and Europe but is increasingly becoming a consumer state.

-- GOG police and counterterrorism institutions are weak.

TEITELBAUM